



National Council on
Compensation Insurance

Regulatory Digest



Agent Regulatory Digest | VOLUME 1 – NUMBER 2 | June 2016

In This Issue

- Issues Report Now Available
- Positive Results in State of the Line Report
- Economic Trends for Workers Comp
- Understanding Residual Market Plans and Pools
- Attend NCCI's Agent's Track at WCI Conference
- Agent and Producer Education Workshops

Contact Us

Clarissa Preston, CIC
Agent Relations Executive
Phone: 561-945-4517
clarissa_preston@ncci.com

NCCI is the nation's most experienced provider of workers compensation insurance information. We gather data, analyze industry trends, and prepare objective insurance rate and loss cost recommendations. These activities, together with our research, analytical services and tools, and overall commitment to excellence, help foster a healthy workers compensation system. Visit ncci.com.

Issues Report Now Available

NCCI's **Issues Report** examines the most important matters facing the workers compensation system.

Topics in the 2016 report include:

- A Workers Compensation Research Institute discussion on the sustainability of physician-dispensing reforms
- A look at the expanding "on-demand" economy and how it might disrupt workers compensation
- Results and commentary on prescription drug management in workers compensation from CompPharma's Twelfth Annual Survey Report
- Recent research from NCCI laying the groundwork for future analysis of the effects of the Affordable Care Act on the workers compensation system

Visit ncci.com to view the 2016 edition of NCCI's annual workers compensation **Issues Report**.

Positive Results in State of the Line Report

NCCI's **State of the Line Report** reveals that the workers compensation Calendar Year 2015 combined ratio for private carriers is 94%. This is a six-point decline when compared with the 2014 combined ratio. Total market net written premium increased by almost 3% to \$45.5 billion, driven primarily by an increase in payroll.

"Overall, 2015 was another positive year for the workers compensation industry," NCCI Chief Actuary Kathy Antonello said. "The combined ratio improved, claim frequency continued to decline, and operating results were strong. While the 2015 results are encouraging, we hope for continued diligence of workers compensation system stakeholders to ensure a strong and competitive system."

Other market indicators and trends highlighted in NCCI's 2016 **State of the Line Report** include:

- The overall reserve position for private carriers improved in 2015. NCCI estimates the year-end 2015 reserve position is a \$7 billion deficiency—down from \$10 billion in 2014. Estimated reserve redundancy in Accident Year 2015 accounts for much of this reduction.
- Average lost-time claim frequency across NCCI states declined by 3% in 2015.
- In NCCI states, the preliminary 2015 accident year average indemnity cost per lost-time claim increased by 1% relative to the corresponding 2014 value. For medical, the preliminary average cost per lost-time claim decreased by 1% relative to 2014.
- The workers compensation residual market pool premium volume remained flat between 2014 and 2015, and the average residual market share remained stable at 8%. The latest NCCI data shows that total residual market premium declined in the first quarter of 2016 compared with the first quarter of 2015.

View the **State of the Line Report** [video](#) and [presentation](#) and the [State of the Line Guide](#) on ncci.com under Industry Information.

Economic Trends for Workers Comp

In its *Quarterly Economics Briefing*, NCCI examines the current state of the economy and implications on workers compensation insurance. The current issue looks at economic trends in the construction sector and the impact on workers compensation premium by state.

Key findings include:

- **Employment Growth**—Hiring was strong in 2015 with private employment growing by 2.8 million workers. This is the largest increase since the recession.
- **Wage Growth**—NCCI posted an increase of 3.1% in 2014 and estimates average weekly wages increased by 2.8% during 2015, based on preliminary data to date.
- **Medical Inflation**—Medical inflation will continue to outpace general inflation in the economy for the foreseeable future.
- **Interest Rates**—The current environment of low interest rates continues to restrain investment income in the property/casualty (P/C) industry.

Visit ncci.com to view the latest edition of the *Quarterly Economics Briefing*.

Understanding Residual Market Plans and Pools

Most employers are under statutory obligation to obtain workers compensation coverage. This ensures their employees will receive adequate medical coverage and compensation for lost wages because of injury, occupational disease, or death. They usually purchase this coverage from a voluntary market insurance carrier. However, when voluntary market coverage is not available to the employer, the residual market—also called “the market of last resort”, “the assigned risk market”, “the involuntary market”, or “the workers compensation safety net”—is available.

NCCI provides services for residual markets in 30 jurisdictions, including the administration of NCCI’s Workers Compensation Insurance Plan (WCIP), the National Workers Compensation Reinsurance Pool (NWCRP), and the New Mexico Workers’ Compensation Assigned Risk Pool. NCCI also provides financial, actuarial, and audit services for other reinsurance Pools and customers.

The Plans

The Plans are sets of state-approved rules that govern assignment of assigned risk applications to Plan assigned carriers, administration, eligibility of employers for Plan coverage, and policy issuance requirements. These Plans are generally authorized by statute, and are filed with, and subject to approval by, the state regulatory authority.

The Pool

While the WCIP provides a mechanism to distribute risks equitably among participating insurance carriers each carrier receiving a risk is subject to the idiosyncrasies that come with that risk. The industry’s response to these unpredictable exposures is the residual market Pool. A Pool is a voluntary agreement among insurance companies to share the operating results arising out of Plan assignments that otherwise would have been received individually by direct assignment carriers.

For more information, visit the **Residual Market** section of ncci.com

Attend NCCI’s Agent’s Track at WCI Conference

NCCI is hosting a two-day educational opportunity for agents at the 71st Annual WCI Conference on August 22 and 23 at the Orlando World Center Marriott in Orlando, FL.

Participants will benefit from:

- Expert insight from regulators and industry professionals
- Updates on must-know hot topics
- Sessions providing essential skills necessary for writing workers compensation policies
- Networking opportunities with top agents and company leaders

Continuing education credits provided. To register and view more details, visit www.wci360.com/conference.

Agent and Producer Education Workshops

NCCI provides free, live **Agent Education** (voluntary market) and **Producer Education Workshops** (residual market).

- **Agent Education Workshops** focus on the classification and experience rating process. Learn how to classify and use the appropriate resources and understand the experience rating process.
- **Producer Education Workshops** focus on applying for residual market workers compensation insurance, servicing in-force residual market workers compensation policies, and working with expired as well as renewal residual market policies. In some NCCI states, we combine the presentations to service the market needs.

To find out more and to register for upcoming sessions and workshops in your area, visit the Upcoming Events page at ncci.com.